had recommended to set up six zonal level Regional Rural Banks by consolidating present 196 Regional Rural Banks; and

(c) if so, the details thereof and action taken by Government thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir.

(b) and (c) The Group of CMDs considered several options for restructuring of RRBs and came to the conclusion that amalgamation of RRBs region-wise into six full-fledged Commercial Banks would be the best option. The State Governments and sponsor banks when consulted, expressed divergent views on the proposal. However, as a step towards consolidation of RRBs, the Government has initiated the process of amalgamation of RRBs in contiguous districts sponsored by the same bank within a State in consultation with the respective State Governments.

Exemption of citizens of Sikkim from income tax

†2251. SHRI PYARELAL KHANDELWAL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that at the time of merger of Sikkim with Indian in 1975 it was committed that citizens of Sikkim would be exempted from income tax and direct taxes;

(b) if so, whether Government are considering to impose income tax and other taxes on the citizens of Sikkim against the said commitment;

(c) whether Government have received any memorandum from the State Government of Sikkim;

(d) if so, whether Government are considering the same; and

(e) the details of the memorandum received from Sikkim?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Article 371F was inserted in the Constitution of India by the Constitution (36th Amendment) Act, 1975, with effect from 26.04.1975, introducing special provisions with regard to the State of Sikkim. The Article, *inter alia,* provides that notwithstanding anything in the Constitution of India, all laws in force immediately before

†Original notice of the question was received in Hindi.

the appointed day in the territories comprised in the State of Sikkim shall continue to be in force therein until amended or repealed. However, Clause (n) of the said Article provides that the President may, by public notification, extend with such restrictions or modifications as he thinks fit to the State of Sikkim any enactment which is in force in a State of India at the date of the notification.

Pursuant to the above Constitutional amendment, the Ministry of Home Affairs issued a notification number S.O. 1028(E) dated 7th November, 1988, whereby direct tax laws of India including the Income-tax Act, 1961, the Gift Tax Act, 1958 and the Wealth Tax Act, 1957 were extended to the State of Sikkim with effect from assessment year 1989-90. Further, through the Finance Act, 1989, the effective date of implementation of the direct tax laws to Sikkim was extended to assessment year 1990-91.

(c) to (e) A Memorandum was submitted by the Chief Minister of Sikkim on 17.06.2004 requesting, *inter alia*, expeditious resolution of the impasse on the issues relating to the extension of direct tax laws to the State of Sikkim. A high-powered committee has been set up to resolve the issue. The Committee consists of the representatives of the State of Sikkim as well as the Government of India. The recommendations of the Committee are under formulation, with the last sitting having taken place on 4th March, 2005.

On Line Tax Assessment System

†2252. SHRIMATI SAVITA SHARDA: Will the Minister of FINANCE be pleased to state:

(a) whether Government at the beginning of this financial year have introduced an On Line Tax Assessment System (OLTAS) for the benefit of tax-payers;

(b) if so, whether Government have received complaints to the effect that the said system has proved faulty and tax challans submitted by lakhs of tax-payers under the system have not been registered in the accounts of tax-payers;

(c) if so, whether any enquiry has been conducted in this regard; and

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†Original notice of the question was received in Hindi.